

Inspector General

United States
Department of Defense



Government Purchase Card Controls
at United States Special Operations Command

Report Documentation Page			Form Approved OMB No. 0704-0188		
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 16 APR 2009		2. REPORT TYPE		3. DATES COVERED 00-00-2009 to 00-00-2009	
4. TITLE AND SUBTITLE Government Purchase Card Controls at United States Special Operations Command			5a. CONTRACT NUMBER		
			5b. GRANT NUMBER		
			5c. PROGRAM ELEMENT NUMBER		
6. AUTHOR(S)			5d. PROJECT NUMBER		
			5e. TASK NUMBER		
			5f. WORK UNIT NUMBER		
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Department of Defense Inspector General, 4800 Mark Center Drive, Alexandria, VA, 22350-1500			8. PERFORMING ORGANIZATION REPORT NUMBER		
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)			10. SPONSOR/MONITOR'S ACRONYM(S)		
			11. SPONSOR/MONITOR'S REPORT NUMBER(S)		
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 40	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Additional Information and Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

Suggestions for Audits

To suggest ideas for or to request future audits, contact the Office of the Deputy Inspector General for Auditing at (703) 604-9142 (DSN 664-9142) or fax (703) 604-8932. Ideas and requests can also be mailed to:

ODIG-AUD (ATTN: Audit Suggestions)
Department of Defense Inspector General
400 Army Navy Drive (Room 801)
Arlington, VA 22202-4704



Acronyms and Abbreviations

FAR	Federal Acquisition Regulation
GPC	Government Purchase Card
U.S. SOCOM	U.S. Special Operations Command
U.S. MARSOC	U.S. Marine Corps Forces, Special Operations Command



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

April 16, 2009

MEMORANDUM FOR COMMANDER, UNITED STATES SPECIAL
OPERATIONS COMMAND
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
COMMANDER, MARINE CORPS FORCES, SPECIAL
OPERATIONS COMMAND

SUBJECT: Government Purchase Card Controls at United States Special Operations
Command (Report No. D2009-070)

We are providing this report for review and comment. We considered management comments on a draft of this report in preparing the final report.

Comments from the Acting Assistant Secretary of the Navy (Financial Management and Comptroller) and the Commandant of the Marine Corps conformed to the requirements of DoD Directive 7650.3. The Marine Corps agreed with the recommendations. The Acting Assistant Secretary of the Navy (Financial Management and Comptroller) disagreed with recommendations C.1, and C.2. We disagree with the Assistant Secretary of the Navy's comments on recommendations C.1, C.2, and C.3 and request that the Assistant Secretary of the Navy reconsider his position and provide additional comments to this final report. We request his response by May 15, 2009.

Please provide comments that conform to the requirements of DoD Directive 7650.3. If possible, send your comments in electronic format (Adobe Acrobat file only) to AudColu@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5868 (DSN 329-5868).

Patricia A. Marsh
Patricia A. Marsh
Assistant Inspector General
Defense Business Operations



Results in Brief: Government Purchase Card Controls at United States Special Operations Command

What We Did

The objective of the audit was to determine whether the U.S. Special Operations Command's use of the Government purchase cards complied with applicable laws and regulations. We tested Government purchase card transactions at Headquarters and at the subordinate entities. We reviewed internal controls for compliance with applicable laws and regulations.

What We Found

The U.S. Special Operations Command Headquarters and the Command's subordinate entities had established adequate controls over the Government purchase card programs to ensure they complied with applicable laws and regulations. However, we identified two areas requiring attention.

First, the Department of the Navy (Financial Management and Comptroller) inappropriately retained \$216,800 in rebates earned from the use of the Government purchase card by the Naval Special Warfare Command and Marine Corps Forces, Special Operations Command. Department of the Navy practice required the purchase card provider (the bank) to send all rebates generated by cards issued by Naval contracting offices to the Navy Department. As a result, in FY 2007 and FY 2008, the U.S. Special Operations Command did not have the rebate funds available for Special Operations purposes.

Second, a Marine Corps Forces, Special Operations Command cardholder split transactions to circumvent Government purchase card acquisition limits. The cardholder acquired noncommercial group training at a cost of \$72,000 in three separate transactions. By taking

these actions, the cardholder avoided using mandatory contracting office services and alternate payment methods.

What We Recommend

We recommend the Assistant Secretary of the Navy (Financial Management and Comptroller) credit the rebates to Special Operations Command entities, review the entity and appropriation sources of all rebates received, and determine whether the Department of the Navy may appropriately retain the rebates. We recommend that the Commander, Marine Corps Forces, Special Operations Command require cardholders and approving officials to follow the proper procedures when using Government purchase cards.

Management Comments and Our Response

The Acting Assistant Secretary of the Navy (Financial Management and Comptroller) did not agree with our recommendations to return all Government purchase card rebates to the U.S. Special Operations Command. The Commandant of the Marine Corps agreed with the recommendations. Its comments were responsive and met the intent of our recommendations.

We disagree with the comments from the Acting Assistant Secretary of the Navy (Financial Management and Comptroller). Please see the recommendations table on the back of this page and the management comments section for finding C.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Assistant Secretary of the Navy (Financial Management and Comptroller),	C.1, C.2, and C.3.	
Commander, Marine Corps Forces, Special Operations Command		D.

Please provide comments by May 15, 2009.

Table of Contents

Results in Brief	i
Introduction	1
Objectives	1
Background	1
Review of Internal Controls	2
 Finding A. Headquarters, U.S. Special Operations Command Government Purchase Card Program	 3
 Finding B. U.S. Special Operations Command Subordinate Entities' Government Purchase Card Programs	 5
 Finding C. Rebates for U.S. Special Operations Command Naval Entities	 7
Recommendations, Management Comments, and Our Response	9
 Finding D. U.S. Marine Corps Forces, Special Operations Command Split Purchase of Training	 13
Recommendation, Management Comments, and Our Response	15
 Appendix. Scope and Methodology	 16
 Management Comments	
Department of the Navy (Financial Management and Comptroller)	19
Marine Corps and U.S. Marine Corps Forces, Special Operations Command	27

Introduction

Objective

The objective of the audit was to determine whether the U.S. Special Operations Command's use of Government purchase cards complied with applicable laws and regulations. See the appendix for a discussion of our scope and methodology.

Background

Section 2784, title 10, United States Code requires the DoD Office of Inspector General to perform periodic audits of the DoD Government Purchase Card (GPC) Program to identify:

- potentially fraudulent, improper, and abusive use of purchase cards;
- any pattern of improper cardholder transactions, such as purchases of prohibited items; and
- categories of purchases that should be made by means other than the purchase card to better aggregate purchases and obtain lower prices.

Use of the Government Purchase Card

The Federal Acquisition Regulation (FAR) Subpart 13.2, "Actions at or below the Micro-Purchase Threshold," states that the GPC is the preferred method to purchase and pay for "micro-purchases." A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures. FAR 13.301(c), "Government-wide Commercial Purchase Card," states that the GPC is used as a procurement and payment tool for micro-purchases. The micro-purchase threshold during our period of review was \$3,000. The GPC may also be used in excess of the micro-purchase threshold up to \$25,000 for purchases made outside the United States, for use outside the United States, in accordance with Defense Federal Acquisition Regulation Supplement 213.301.

U.S. Special Operations Command

The U.S. Special Operations Command (U.S. SOCOM) was formed in 1987 to organize, train, and equip Special Operations forces from the Army, Navy, and Air Force. In 2006, U.S. SOCOM added Marine Forces and currently has six subordinate command components: Army Special Operations Command; Naval Special Warfare Command; Air Force Special Operations Command; Marine Corps Forces, Special Operations Command (U.S. MARSOC); Joint Special Operations Command; and Joint Special Operations University.

U.S. SOCOM has procurement authority under section 167, title 10, United States Code; however, most GPCs used by U.S. SOCOM entities were issued and supported by a hosting Military Service contracting office. For example, at the Headquarters,

U.S. SOCOM, the Air Force contracting office at MacDill Air Force Base, Florida, issued and supported the GPC. However, the Joint Special Operations Command personnel used the U.S. SOCOM procurement authority for the GPC.

Audit Process

We performed the audit in two phases. The first phase addressed the GPC Program as implemented in support of the Headquarters, U.S. Special Operations Command. The second phase addressed the GPC Programs supporting five subordinate entities: U.S. Army Special Operations Command, U.S. Naval Special Warfare Command, U.S. Air Force Special Operations Command, U.S. MARSOC, and Joint Special Operations Command.

Review of Internal Controls

We did not identify internal control weaknesses in the use of the GPC by the U.S. Special Operations Command and its subordinate entities.

Finding A. Headquarters, U.S. Special Operations Command Government Purchase Card Program

Headquarters, U.S. Special Operations Command, effectively managed its Government Purchase Card Program. We examined 200 purchase card transactions valued at \$626,521. We did not identify any material internal control weaknesses during our review of the 200 transactions. In general, they were proper, legal, and reasonable, and satisfied a bona fide need. Therefore, the U.S. SOCOM GPC Program complied with the applicable regulations governing the use of the card.

Purchase Card Controls

Audit Process

We evaluated the overall control environment for the U.S. SOCOM GPC Program using the “Department of Defense Government Charge Card Guidebook for Establishing and Managing Purchase, Travel, and Fuel Card Programs,” January 20, 2006 (DoD Government Charge Card Guidebook), and Air Force Instruction 64-117, “Air Force Government-Wide Purchase Card Program,” January 31, 2006. We reviewed the oversight process by the agency program coordinator. We reviewed the cardholder and approving official training records to ensure that all training requirements were met. Additionally, we reviewed documents to determine whether the acquisition was mission essential. We reviewed the certification and acceptance, property accountability, cardholder reconciliation, and approving official review processes for 200 GPC transactions selected.

Annual Reviews

Air Force Instruction 64-117, “Air Force Government-Wide Purchase Card Program,” required program coordinators to perform annual reviews of their GPC Programs. In 2007, the agency program coordinator for U.S. SOCOM Headquarters cardholders conducted the reviews of the cardholders’ accounts. The reviews of each account did not disclose any areas of concern. These reviews showed that the agency program coordinator had appropriate oversight of the GPC Program for the U.S. SOCOM Headquarters.

Training

Properly trained individuals are necessary for a successful GPC Program. According to the DoD Government Charge Card Guidebook, the agency program coordinator is responsible for overseeing and recording training of all GPC Program participants. Air Force Instruction 64-117 requires mandatory training courses for participants in its GPC Program. We reviewed cardholders’ and approving officials’ training files. These cardholders and approving officials were current in their training.

Determination of a Mission-Essential Purchase

We determined whether each transaction was a mission-essential purchase by reviewing supporting documentation, including the GPC Pre-Approval Purchase Form, vendor invoice, transaction log, and cardholder statements. We found that all supporting documentation was available for the 200 transactions, and all purchases met the criteria of a mission-essential purchase.

Independent Receipt and Acceptance

We found that cardholders generally adhered to the requirement for independent receipt and acceptance. The only exception to this control was when the cardholder purchased items at a point-of-sale location. Because items were paid for and received immediately by the cardholder, there was no independent receipt and acceptance for the items. Independent receipt and acceptance would not be expected when items are immediately paid for and received. In all cases, the items were accounted for and the purchases were considered appropriate.

Physical Control and Accountability Over Pilferable and Other Vulnerable Property

At U.S. SOCOM Headquarters, we verified, for the sampled transactions, the existence of items that we considered pilferable property, including office equipment and Global Positioning System devices. We were able to physically verify the existence and accountability of sampled pilferable property at Headquarters, U.S. SOCOM.

Cardholder Reconciliation

Cardholders are required to reconcile and approve their monthly statements. The card-issuing bank provides monthly statements to cardholders and approving officials. Cardholders appropriately reconciled all monthly statements reviewed, and they approved their monthly statements, certifying they had made all transactions on the statement.

Approving Official Review

Approving officials are required to approve cardholder monthly statements for purchase card transactions. We did not find any exceptions to this requirement for the 200 reviewed transactions and the associated cardholder monthly statements.

Conclusion

At U.S. SOCOM Headquarters, internal controls over the use of its GPC Program were effective. Our review of 200 GPC transactions revealed proper compliance with applicable regulations and no material internal control weaknesses. Therefore, we are not making any recommendations.

Finding B. U.S. Special Operations Command Subordinate Entities' Government Purchase Card Programs

The subordinate entities of the U.S. Special Operations Command effectively managed their Government Purchase Card (GPC) programs. At each of the entities, which included the Army Special Operations Command; Naval Special Warfare Command; Air Force Special Operations Command; Marine Corps Forces, Special Operations Command; Joint Special Operations Command; and Joint Special Operations University, internal controls were effective. These controls included reviews by internal and external quality assurance personnel, cardholder training, and purchasing procedures for card transactions. For the transactions we reviewed, cardholders complied with applicable GPC procedures.¹ However, there was an instance of a U.S. MARSOC cardholder improperly splitting a purchase into multiple transactions to avoid GPC acquisition limitations. (We discuss this issue in finding D.)

Government Purchase Card Controls

Internal Reviews

At each subordinate entity, we evaluated the internal reviews of the GPC Program. The reviews of the cardholder accounts did occasionally find issues with GPC transactions. For example, an internal review at the Naval Special Warfare Command found three instances of questionable transactions. The problems were addressed and appropriate actions were taken to correct the deficiencies. The reviews showed that the respective agency program coordinators had appropriate oversight of the GPC Program at each of the subordinate entities.

External Reviews

At each subordinate entity, we reviewed the external reviews of the GPC. None of the external reviews at the subordinate entities found any major issues with GPC transactions. The reviews by the external organizations showed that the respective agency program coordinators had appropriate oversight and controls in place to effectively manage the GPC Program at each of the subordinate entities.

Training

The DoD Government Charge Card Guidebook requires the agency program coordinator to be responsible for overseeing and tracking training of all GPC Program cardholders and approving officials. GPC instructions require mandatory training courses for participants in the GPC Program. We reviewed cardholders' and approving officials'

¹ At the Army Special Operations Command, we did not perform transaction testing because its Inspector General and Internal Review offices were performing significant internal reviews of its transactions and procedures.

training files at each of the subordinate entities. The cardholders and approving officials were certified in all the required training and were current in their training.

Government Purchase Card Procedures

Independent Receipt and Acceptance

We found that cardholders adhered to the requirement for independent receipt and acceptance, but we found exceptions to this control. Because most cardholders made point-of-sale purchases, the exceptions were expected. For example, at the Air Force Special Operations Command, a cardholder took special-issue military uniforms for his personnel to a vendor to have patches sewn onto the military uniforms. The cardholder paid for and received the services for his personnel. The cardholder made the purchase and signed off as the receiver with no other certifying official's signature on the receipt. Although this is not considered independent receipt and acceptance, it is normal for the cardholder to receive purchased items at the point-of-sale because the items are paid for and received immediately. In this case, the cardholder signed for the item, and as such, independent receipt and acceptance were not expected.

Approving Official Review

Approving officials are required to approve GPC transactions. For example, for the GPC transactions we selected at the Marine Corps Forces, Special Operations Command, the documentation indicated a preapproval of the purchases by a responsible official. We did not find any exceptions to this requirement at any of the subordinate entities.

Conclusion

The U.S. SOCOM subordinate entities had effective internal controls over their GPC Programs. Our review of GPC documentation and internal controls revealed general compliance with applicable regulations and no material internal control weaknesses. Therefore, we are not making any recommendations.

Finding C. Rebates for U.S. Special Operations Command Naval Entities

The Department of the Navy, Office of Financial Management and Comptroller inappropriately retained \$216,800 in rebates earned from the use of the Government purchase card by U.S. Special Operations Command funded entities. The Department of the Navy procedures did not have the rebates credited to the U.S. SOCOM or its entities. The Navy practice required the GPC provider (the bank) to send all rebates generated by cards issued by Naval contracting offices to the Department of the Navy. As a result, in FY 2007 and FY 2008, U.S. SOCOM did not have the rebate funds available for Special Operations purposes.

U.S. Special Operations Command Funds

Purpose Statute

Section 1301(a), title 31, United States Code, commonly known as the Purpose Statute, states: “Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law.” The use of funds for a purpose other than that for which the funds were appropriated is a violation of the Purpose Statute.

Special Operations Purpose

Congress, under section 1311 of Public Law 99-661, amended section 161, title 10, United States Code to establish a specific budgeting and funding process for Special Operations forces. The Secretary of Defense was to create a new budget category that would integrate Special Operations forces into the DoD Future Years Defense Plan. The budget category and resource program would become known as “Major Force Program - 11 [Special Operations].” Through this program, Congress and the Office of Secretary of Defense provided the operating funds to U.S. SOCOM. This resource program was included in the appropriations provided by Congress and considered a Special Operations purpose. U.S. SOCOM used the funds to pay for its operations and passed funding to its subordinate entities, such as the Naval Special Warfare Command and U.S. Marine Corps Forces, Special Operations Command. The funds provided by DoD to Special Operations Forces used the Treasury Index Symbol “97.”

Subordinates

U.S. SOCOM provided all the operating funds to the Naval Special Warfare Command and the majority of operating funds for U.S. MARSOC. From these funds, the Naval Special Warfare Command and U.S. MARSOC used the GPC to make purchases. These purchases supported Special Operations purposes.

Source of Government Purchase Cards

GPCs for the U.S. SOCOM’s Military Service component-related entities were provided by the Military Service’s hosting organizations’ contracting offices. For example, a local Naval contracting office in San Diego, California, provided the GPCs for the Naval

Special Warfare Command. The contracting office at Camp Lejeune, North Carolina, provided the cards for U.S. MARSOC. The cards were used under the hosting organization's policies. Those two entities applied Navy policies and practices in using the cards.

Rebates

Under the General Services Administration master contracts with GPC vendors, the U.S. Government receives a rebate based on the volume of purchases and timeliness of payments to the vendor. In FY 2007, the Naval Special Warfare Command generated about \$163,700 in rebates, and U.S. MARSOC generated about \$7,300, for a total of about \$171,000. In the first quarter of FY 2008, the Naval Special Warfare Command generated about \$43,400 in rebates, and U.S. MARSOC generated about \$2,400.

Navy Government Purchase Card Rebate Practice

The Department of the Navy obtained its GPCs from CitiBank under a General Services Administration master contract. The Department of the Navy required the card vendor to credit the rebates to the Department of the Navy, Office of Financial Management and Comptroller. In contrast, under Army- and Air Force-hosted programs, rebates from the cards were credited to the cardholders' accounts. Under the Navy practice, the rebates from purchases with cards issued by Naval contracting activities were credited to the overall Department of the Navy instead of the cardholders' account. Therefore, for U.S. SOCOM entities using the GPC under Navy practices, the rebates were credited to the Department of the Navy. U.S. SOCOM had intended to use the rebates for Special Operations purposes, but could not as the Navy retained the rebates.

From Treasury Index 97 to 17

Under the appropriations and funding process, the U.S. Navy used Treasury Index Symbol "17." These were funds intended for operations of the Navy and its entities, excluding Special Operations purposes. U.S. SOCOM entities used Treasury Index "97." The effect of the Navy practice was that U.S. SOCOM's "97" money was turned into Department of the Navy "17" money. Under section 1301 (a), title 31, United States Code, by converting "97" funds into "17" funds, the Navy violated the Purpose Statute of appropriations guidance. As a result, funds provided by U.S. SOCOM to two of its Service component organizations and intended for Special Operations purposes were diverted to the Department of the Navy.

Further Effect of the Practice

We did not determine whether the Navy's practice affected entities or appropriations other than U.S. SOCOM. However, we believe that the Navy should review its GPC Program to determine whether similar cases have occurred elsewhere in the Navy's Program.

Conclusions

A Department of the Navy practice regarding GPC rebates led to its retaining U.S. SOCOM funds. As a result, U.S. SOCOM could not use the funds to support

Special Operations. In FY 2007, U.S. SOCOM lost the use of about \$171,000. These were funds that should have been used for Special Operations purposes, but were retained by the Department of the Navy.

Recommendations, Management Comments, and Our Response

C.1. We recommend that the Assistant Secretary of the Navy (Financial Management and Comptroller) return all FY 2007 and FY 2008 Government purchase card rebates resulting from U.S. Special Operations Command funding to the U.S. Special Operations Command.

C.2. We recommend that the Assistant Secretary of the Navy (Financial Management and Comptroller) establish a procedure to ensure that future Government purchase card rebates generated from the U.S. Special Operations Command and other non-Navy funds are returned to the appropriation against which the payments were initially charged. In this case, those rebates generated from U.S. Special Operations Command funds should be credited to the U.S. Special Operations Command.

Commandant of the Marine Corps and U.S. Marine Corps Forces, Special Operations Command Comments

The Commandant of the Marine Corps and U.S. MARSOC agreed with Recommendations C.1 and C.2. Regarding Recommendation C.2, U.S. MARSOC recommended that the Navy contract be modified to allow rebates to be credited directly to the cardholder accounts.

Acting Assistant Secretary of the Navy (Financial Management and Comptroller) Comments

The Acting Assistant Secretary of the Navy (Financial Management and Comptroller) did not agree with Recommendations C.1 and C.2 and provided identical comments to both. The Acting Assistant Secretary stated that Section 8067 of Public Law 110-116 provided statutory authority for the Department of the Navy's practice of crediting all purchase card rebates to the Operation and Maintenance, Navy account. The Navy further stated that legislative history of the statute permits the Navy to retain the rebates and that the source of the funds did not affect the Navy's retention. The Navy questioned U.S. SOCOM's interest in the rebates by stating:

As a final matter, in the context of the "authorized purpose" issue, we are concerned that DODIG's assertion at page 8 of the draft report that "[The funds retained by the Navy] were funds the U.S. Special Operations Command had intended for special operations purposes, but were instead obtained and retained by the DON [Department of the Navy]", misrepresents SOCOM's interest in the subject rebates. SOCOM had not requested a return of the money nor considered the possibility until it was raised in the course of the DODIG audit. It appears, therefore, that until this audit began, there was an absence of any reliance by SOCOM on the Purchase Card rebates.

The Navy stated that it bore the administrative cost of a purchase card program to the benefit of U.S. SOCOM.

Various DON organizations oversee and manage the Purchase Card program for the Navy and the Marine Corps. These organizations issue and maintain DON Purchase Card policy, provide training, ensure bank compliance with the contract, and provide day to day operation support. The administrative support cost of these government and contract personnel is borne by the DON and afforded to these SOCOM entities as a part of the basic program management. The SOCOM entities derive specific benefits from being a part of the DON Purchase Card Program funded by operations appropriations.

Our Response

Section 8067 of Public Law 110-116 says:

SEC. 8067. Beginning in the current fiscal year and hereafter, refunds attributable to the use of the Government travel card, refunds attributable to the use of the Government Purchase Card and refunds attributable to official Government travel arranged by Government Contracted Travel Management Centers may be credited to operation and maintenance, and research, development, test and evaluation accounts of the Department of Defense which are current when the refunds are received.

The provision permits the Navy to keep the Navy's money. The section does not permit or imply that the Navy may keep anyone else's money. The cards in the hands of Naval Special Warfare Command and U.S. MARSOC personnel were funded by and used for U.S. SOCOM.

OMB Circular A-123 provides that unless specific statutory authority exists allowing refunds to be used for other purposes, funds must be returned to the appropriation or account from which they were expended. Section 8067 does allow the rebates to be used for other purposes by allowing the rebates to be credited to Operation and Maintenance (O&M) or Research, Development, Test, and Evaluation (RDT&E) accounts of DoD. For example, under Section 8067, if the original payment was made from a procurement account, the rebate could be credited to an O&M or RDT&E account of DoD. Section 8067 is silent on allowing one DoD component to credit its own account when the original payment was made from an account from another DoD component. DoD provided the funding under Treasury Index 97 to U.S. SOCOM to use for U.S. SOCOM purposes. Members of the Navy as well as the Army, Air Force, and Marine Corps, are assigned to U.S. SOCOM to support the U.S. SOCOM mission. Section 8067 fails to provide the Navy with specific or general authority to retain the rebates in question for Navy purposes. In retaining the rebates for its own use, the Navy is an unauthorized recipient of the rebates and is diverting funds from DoD.

The Navy stated that it had authority to retain rebates regardless of whose funds generated the rebates. A plain reading of the text of Section 8067 and the legislative history of prior provisions similar to Section 8067 do not provide support for the Navy's claim that it has specific authority to retain U.S. SOCOM or any other DoD entity's money. Prior legislation, Government Accountability Office decisions, and established congressional controls have not provided the Navy or anyone else the authority to retain

another entity's rebates. The other military services supporting U.S. SOCOM operations were not retaining U.S. SOCOM money, and there is not a basis for the Navy to do so. Other DoD entities have rebates credited to the cardholders' accounts. The Navy sweeps up all rebates into a centralized Navy account. The Navy's peculiar practice, while permissible within the Navy for Navy funds, essentially allows the Navy to give with one hand and take away with another. However, the Navy does not have authority to apply that practice to another entity's funds. The Navy needs to cease the practice with other entities' funds. The Navy needs to establish a procedure to return rebates to other entities' cardholders, as was the intent of our recommendations. Also, the Navy needs to return rebates generated during the past 2 years.

The Navy argued that it shoulders the burden of the GPC program; that U.S. SOCOM had not demanded the return of the rebates; and DoD IG misrepresented U.S. SOCOM's interest. None of these factors is a valid argument on the issue. The Navy assumed the burden of supporting U.S. SOCOM entities, but it is not required to assume the burden (and failed to quantify that burden). No other supporting service claims rebates as an offset for the burden. U.S. SOCOM lost control of its funds because of the Navy's practice. The lack of a claim is not justification for an unauthorized retention. Additionally, DoD IG is tasked with review of DoD funding and whether that funding is used in accordance with statutory requirements. Therefore, we have authority to address this issue.

The overarching issue is that the Navy is retaining another entity's funds without authority to do so. Therefore, we conclude that the funds should be returned to the U.S. SOCOM.

C.3. We recommend that the Assistant Secretary of the Navy (Financial Management and Comptroller) review the entity and appropriation sources of all rebates received and determine whether the Department of the Navy may appropriately retain the funds.

Commandant of the Marine Corps and U.S. Marine Corps Forces, Special Operations Command Comments

The Commandant of the Marine Corps and U.S. MARSOC agreed.

Acting Assistant Secretary of the Navy (Financial Management and Comptroller) Comments

The Acting Assistant Secretary of the Navy (Financial Management and Comptroller) agreed. He stated, ASN (FM&C) reviewed the entity and appropriation sources to ensure the DON [Department of the Navy] may appropriately retain the funds.

Our Response

The Acting Assistant Secretary of the Navy (Financial Management and Comptroller) agreed with Recommendation C.3. However, because he did not agree with Recommendations C.1. and C.2., the Navy did not meet the intent of any of our recommendation.

We request the Acting ASN (FM&C) reconsider our recommendations and provide additional comments to the final report.

Finding D. U.S. Marine Corps Forces, Special Operations Command Split Purchase of Training

A U.S. Marine Corps Forces, Special Operations Command cardholder split a U.S. MARSOC requirement into multiple transactions to avoid Government purchase card acquisition limitations. To obtain training for a group of Marine Corps personnel, a U.S. MARSOC cardholder acquired a noncommercial training course and split the \$72,000 cost into three transactions. The actions were taken to avoid using contracting office services and alternate payment methods. As a result, the U.S. MARSOC cardholder engaged in an inappropriate acquisition action, exceeded purchase limits, and potentially deprived the Government of the benefits of competition.

Single Purchase Limits

To obtain the lower cost goods and services the Government needs from commercial vendors, the FAR has established the “simplified acquisition” or “micro-purchase” process. The FAR has exempted these purchases from various laws and clauses of the Anti-Kickback Act, Miller Act, and Solid Waste Disposal Act required of higher valued purchases. The GPC Program was established under the micro-purchase provisions of the FAR. However, the exemptions come with limitations. Generally, cardholders in the United States are restricted to making purchases that are less than \$3,000. If the amount of goods and services needed exceeds the \$3,000 purchase limit, the purchase must be performed using other methods. These methods follow the provisions of various acquisition laws and must be executed by a warranted contracting officer. Most cardholders are not warranted contracting officers, but general operating personnel who have provisional acquisition authority from a contracting officer.

A cardholder may not split a requirement into multiple transactions to circumvent a dollar cost limit. A “split purchase” is making multiple transactions to fulfill a single requirement to avoid the purchase limit or avoid using other contracting or payment methods. Splitting a requirement; that is, making a “split purchase,” is an inappropriate contracting action. By splitting a requirement, a cardholder potentially deprives the Government of the benefits of competition or avoids other Government procurement policies.

To implement the GPC Program and single purchase limits established by the FAR, the Navy issued Navy Supply Instruction (NAVSUPINST) 4200.99, “Department of the Navy (DON) Policies and Procedures for the Operation and Management of the Government-Wide Commercial Purchase Card Program (GCPC),” October 13, 2006. Chapter 1, “Purchase Card Program Policy,” of the Navy Instruction states that: “The purchase card shall be used to make open market purchases for supplies and services not

to exceed \$2,500 [now \$3,000²] and construction not to exceed \$2,000.” Further, the Navy Instruction states:

The purchase card may be used as a method of payment in conjunction with other contracting methods above the micro-purchase threshold for the following categories

(h) The purchase card shall be used as a method of payment to pay for training requirements using the DD 1556 (Certification of Training [now the Standard Form 182, “Authorization, Agreement and Certification of Training”³]) and valued at \$25,000 and below.

The U.S. Marine Corps is an entity within the Department of the Navy and is to follow Navy instructions. U.S. MARSOC used GPCs issued through a Marine Corps contracting office and used the cards under the Navy instructions.

Training Requirement

In FY 2007, U.S. MARSOC had a requirement to train a group of more than 20 Marines in advanced surveillance operations. A vendor, Tactical Support Equipment, Inc., offered such a course and listed the price of the commercial off-the-shelf course at more than \$30,000 for 1 to 10 students, plus more than \$2,000 for each additional student. U.S. MARSOC selected Tactical Support Equipment to provide the training. However, U.S. MARSOC required the vendor to modify the course content and change the location for part of the training from the vendor’s site in North Carolina to a site in Nevada. As a result, the training course was no longer a publicly offered, open-market course.

The Payments

The total vendor’s price to U.S. MARSOC for the course was \$71,780. A U.S. MARSOC cardholder paid the vendor on January 10, 2008. The cardholder payments for the training were \$23,490, \$23,890, and \$24,400. By making three payments, the cardholder avoided the \$25,000 limit for purchasing training on the GPC. U.S. MARSOC personnel believed that they could use the GPC to purchase training costing less than \$25,000 from a public vendor.

Navy Supply Instruction 4200.99 requires cardholders to use the GPC to pay up to \$3,000 for a purchase of open-market supplies and services, such as training. If the cost exceeds \$3,000, the Navy Instruction requires another acquisition method to be used. According to the Navy Instruction, the GPC can be used as a method to pay for training costing more than \$3,000 and less than \$25,000 and acquired through a contracting action, such as an indefinite-delivery, indefinite-quantity contract. The U.S. MARSOC cardholder was not a warranted contracting officer and was not authorized to establish a contract with the vendor.

² U.S. General Services Administration, Federal Acquisition Service, Smart Bulletin No. 002, January 18, 2007, increased the micro-purchase threshold limit to \$3,000. This was made effective in the Navy by Purchase Card Policy Notice 7, March 6, 2007.

³ Navy’s Purchase Card Policy Notice 15, November 29, 2007, “Cancellation of DD Form 1556,” gave notice of the implementation of the Standard Form 182.

By using the GPC, the U.S. MARSOC cardholder avoided using the contracting office's services and other forms of payment. In this case, the vendor informed us that it had indefinite-delivery, indefinite-quantity contracts with two other Special Operations entities.

The cardholder exceeded the purchase authority and engaged in an inappropriate acquisition action. As a result, the Government potentially did not receive the benefits of a proper acquisition action, such as competition.

Conclusion

U.S. MARSOC made multiple transactions to avoid GPC acquisition limitations and engaged in an inappropriate acquisition action.

Recommendation, Management Comments, and Our Response

D. We recommend that the Commander, Marine Corps Forces, Special Operations Command direct cardholders and approving officials to follow the proper procedures when using the Government purchase card. Specifically, cease the splitting of purchases to avoid using the contracting office's services.

Commandant of the Marine Corps and U.S. Marine Corps Forces, Special Operations Command Comments

The Commandant of the Marine Corps and U.S. MARSOC agreed. By direction of the Commandant of the Marine Corps, U.S. MARSOC stated it had not intentionally circumvented the contracting process. It has appointed a training manager to ensure proper procedures are followed. U.S. MARSOC offered minor editorial changes to the report, which we incorporated.

Our Response

The Commandant of the Marine Corps and U.S. MARSOC actions met the intent of the recommendation.

Appendix. Scope and Methodology

We conducted this performance audit from September 2007 through October 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objective.

We performed the audit in two phases. The first phase addressed the GPC Program as implemented in support of the Headquarters, U.S. Special Operations Command. The second phase addressed the GPC programs supporting the U.S. Army Special Operations Command; U.S. Naval Special Warfare Command; U.S. Air Force Special Operations Command; U.S. Marine Corps Forces, Special Operations Command; Joint Special Operations Command; and Joint Special Operations University. At each of the entities, we reviewed the general internal controls. These controls included determining reviews by internal and external quality assurance personnel, cardholder training, procedures for card transactions, and the purchase approval processes.

For the first phase, we obtained a database of U.S. SOCOM Headquarters' GPC transactions from the DoD Office of Inspector General Data Mining Directorate, which obtained the database from the Defense Manpower Data Center. The transactions were from October 1, 2006, through September 27, 2007. The universe consisted of 5,955 transactions valued at \$4,704,537.79 from 168 different cards. We judgmentally selected 200 transactions (valued at \$626,521.41) from 35 different cards. We obtained and reviewed source documents for the 200 GPC transactions in our sample. The source documents included contractor invoices and GPC receipts, receiving reports, GPC monthly statements, purchase logs, and other documents that were relevant to the transactions in our sample.

For the second phase, we obtained transaction data from the relevant agency program coordinators at the Naval Special Warfare Command, Air Force Special Operations Command, U.S. MARSOC, Joint Special Operations Command, and Joint Special Operations Command University. We reviewed the databases, and we judgmentally selected samples of transactions for further review. We obtained and reviewed source documents that included contractor invoices and GPC receipts, receiving reports, GPC monthly statements, purchase logs, and other documents that were relevant to the transactions in our sample.

At the Army Special Operations Command, we did not perform transaction testing because its Inspector General and Internal Review offices were performing significant internal reviews of its transactions and procedures.

We judgmentally selected the samples to include large-dollar purchase transactions, transactions with potentially problematic vendors, and other unusual data elements. The

transactions in our sample should not be interpreted as representative of all U.S. SOCOM GPC transactions. The results cannot be projected to the universe of transactions.

Use of Computer-Processed Data

We received computer-processed data for the U.S. SOCOM Headquarters from the DoD IG, Data Mining Directorate. For the U.S. Naval Special Warfare Command; U.S. Air Force Special Operations Command; U.S. MARSOC; Joint Special Operations Command; and Joint Special Operations University, we received computer-processed data from the agency program coordinators.

During the review, we established reliability by comparing the data to source documentation, such as receipts, credit card statements, approval documents, and contractual documents. The comparison disclosed that data were sufficient to support the conclusions.

Use of Technical Assistance

The DoD IG Data Mining Directorate assisted with the audit. For the U.S. SOCOM Headquarters, the Directorate provided us with GPC transactions and lists of cardholders and approving officials. The Directorate also identified potentially questionable transactions that we considered in developing our sample.

Prior Coverage

During the last 5 years, no prior coverage has been conducted on the U.S. Special Operations Command's use of the Government purchase card.

Acting Assistant Secretary of the Navy (Financial Management and Comptroller) Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON, DC 20350-1000

February 24, 2009

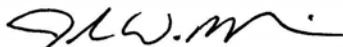
MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Draft Report of the Government Purchase Card Controls
at United States Special Operations Command (Project
No. D2008-D000FJ 0011.00)

The attached provides the responses to recommendations addressed to the Assistant Secretary of the Navy (Financial Management and Comptroller) and United States Marine Corps Forces Special Operations Command. We specifically non-concur with Recommendations C.1 and C.2.

My point of contact for this matter is

[REDACTED]


John W. McNair
Acting

Attachments:
As stated

Department of Defense Inspector General Draft Report
D-2008-D000FJ-0011.000, "Government Purchase Controls
at United States Special Operations Command" dated
January 21, 2009

Finding C. Rebates for U.S. Special Operations Command Naval Entities

Recommendation C.1. We recommend that the Department of the Navy return all FY 2007 and FY 2008 Government purchase card rebates resulting from U.S. Special Operations Command funding to the U.S. Special Operations Command.

ASN(FM&C)'s Response: Non-concur. Section 8067 of P.L. 110-116 provides statutory authority for the DON's practice of crediting all purchase card rebates to O&M,N. Specifically, this language permits crediting rebates earned by DON cardholders to operation and maintenance accounts regardless of the account originally charged. This language has been law for several years, continues to be in effect currently, and constitutes an exception to both the miscellaneous receipts statute and the purpose statute cited by DODIG.

Recommendation C.2. We recommend that the Department of the Navy establish a procedure to ensure that future Government purchase card rebates generated from the U.S. Special Operations Command and other non-Navy funds are returned to the appropriation against which the payments were initially charged. In this case, those rebates generated from U.S. Special Operations Command funds should be credited to the U.S. Special Operations Command.

ASN(FM&C)'s Response: Non-concur. Section 8067 of P.L. 110-116 provides statutory authority for the DON's practice of crediting all purchase card rebates to O&M,N. Specifically, this language permits crediting rebates earned by DON cardholders to operation and maintenance accounts regardless of the account originally charged. This language has been law for several years, continues to be in effect currently, and constitutes an exception to both the miscellaneous receipts statute and the purpose statute cited by DODIG.

Department of Defense Inspector General Draft Report
D-2008-D000FJ-0011.000, "Government Purchase Controls
at United States Special Operations Command" dated
January 21, 2009

Finding C. Rebates for U.S. Special Operations Command Naval
Entities

Recommendation C.3. We recommend that the Department of the Navy review the entity and appropriation sources of the rebate received and ensure that the Department of the Navy may appropriately retain the funds.

ASN(FM&C)'s Response: Concur. ASN(FM&C) reviewed the entity and appropriation sources to ensure the DON may appropriately retain the funds.

**Department of Defense Inspector General Draft Report
D-2008-D000FJ-0011.000, "Government Purchase Controls
at United States Special Operations Command" dated
January 21, 2009**

General Comments

The Department of the Navy (DON) non-concurs with the subject DODIG Draft Report's Finding "C" that the DON Navy inappropriately retained rebates earned from the use of the Government Purchase Card. In reaching its conclusions, DODIG misapplies the "purpose statute," 31 U.S.C section 1301, by ignoring the explicit statutory authority, General Provision (GP) 8067 of P.L. 110-116, upon which the Navy properly relies. Pursuant to GP 8067 of P.L 110-116, the rebates in question are and were authorized by law to be deposited into the Navy's Operations and Maintenance (O&M) account. As such, the Navy violated neither the purpose statute nor the miscellaneous receipts statute (31 U.S.C sec 3302) when it deposited the subject funds.

Section 8067 operates as a specific exception to the general fiscal law rules concerning augmentation and authorized purpose. This provision was sponsored by OUSD(C) and enacted by Congress specifically to authorize the retention of DON purchase card program rebates regardless of purpose restrictions on the account originally charged for purchases. Although the Miscellaneous Receipts Statute (31 U.S.C § 3302) and the associated GAO rules concerning augmentation of appropriations generally prohibit the deposit of receipts to Agency appropriations, section 8067 creates an exception to both of those statutes, providing specific statutory authority for the Navy to retain and deposit the purchase card rebates here at issue. Similarly, 8067 provides a statutory exception to 31 U.S.C section 1301 (the "Purpose Statute") by explicitly authorizing the deposit of purchase card rebates into any DoD operation and maintenance account, including the DON's.

The detailed analysis of the 8067 statutory authority that follows is provided as part of ASN(FM&C)'s objections to the DODIG's findings:

1) DODIG's position is that rebates paid to the Navy by Citibank are "SOCOM funds" as opposed to "Navy Funds," such that deposit of those rebates into Navy Accounts constitutes a

**Department of Defense Inspector General Draft Report
D-2008-D000FJ-0011.000, "Government Purchase Controls
at United States Special Operations Command" dated
January 21, 2009**

General Comments

violation of the Purpose Statute. This position, however, begs the question of whether or not the rebates paid to the Navy by Citibank may properly be considered to be "SOCOM funds." In retaining purchase card rebates and depositing them to operating accounts, DON has never operated under the assumption that the rebates are legally to be considered "refunds" or to otherwise constitute Agency funds in any respect. Rather, the Navy has always relied on the specific statutory authority provided by section 8067, considering the retention of those rebates in ANY account, Navy or otherwise, to be problematic in the absence of such statutory authority. One reason for this is that a portion of the rebates are attributable not to particular purchases, but to timely payment of the entire balance due on the card accounts. As such, it is extremely difficult, if not impossible, to attribute those rebate amounts to specific transactions or appropriations. To the extent these rebates are not considered to be SOCOM "Treasury Index 97" funds (and DODIG offers no analysis as to why they should be) then the Navy cannot be said in any sense to have applied those funds to "improper purposes" in violation of 31 U.S.C section 1301.

2) Secondly, and most importantly, even assuming that the rebate funds in question may somehow be considered to be SOCOM "Treasury Index 97" funds, GP 8067 provides specific authority for the deposit of such rebates into Navy's O&M accounts. GP 8067 is an annually recurring general provision in the DOD Appropriations Act. The provision was written in response to concerns that absent such a statute, retention of such rebates in Agency appropriations might not be authorized in any manner, that even to the extent authorized as "refunds", such rebates would largely accrue to expired accounts and that complexity peculiar to the DON enterprise (including the significant number of split-funded activities like SOCOM and the involvement of a separate O&M account for the MARCOR) would make attributing such rebates to particular accounts and transactions prohibitively burdensome. As such, the provision was intentionally written to provide broad authority to credit all DON Purchase Card program

**Department of Defense Inspector General Draft Report
D-2008-D000FJ-0011.000, "Government Purchase Controls
at United States Special Operations Command" dated
January 21, 2009**

General Comments

rebates to Navy O&M and to do so in the year in which the rebates were received.

The plain language of the statute, as well as its legislative history and the history of the purchase card program indicate that the Navy has properly applied the purchase card rebates. Pursuant to GP 8067, "refunds attributable to the use of the...Government Purchase Card... may be credited to operation and maintenance, and research, development, test and evaluation accounts of the Department of Defense which are current when the refunds are received." As explained above, the refunds in the present case are "attributable to the use of the Government purchase card" and the account to which they were deposited, Navy O&M, is properly considered to be an "O&M account of the DOD", bringing the subject transactions within the coverage of 8067's authority. This interpretation is also consistent with the legislative history of this statute. Congress originally included the subject language in the FY 2000 DOD Appropriations Act as GP 8119 but added to that provision a requirement that card rebates be credited to "the appropriation account which initially paid for purchases made with such cards." The Senate Report (S.371) to PL 106-244 explained that GP 8119 "was amended" to provide for the crediting of the rebates to specific accounts, the implication being that prior to the "amendment" there was no such requirement and that the GP as originally proposed provided broad authority to credit rebates to accounts that did not fund the original purchases (as DON has done in the instant case with the rebates attributable to the "SOCOM" funded rebates.) Because this change was inconsistent with the intent of the originally proposed language, OUSD(C) sponsored a legislative proposal that led to removal of the apparent purpose restriction from the FY 2002 Appropriations Act. The Committee report for PL 107-298 that enacted the change indicated that the provision had once again "been amended," recognizing the substantive change to the general provision's treatment of purchase card rebates. The amendment striking the purpose restriction from the provision was permanent, and the less-restrictive language has been

**Department of Defense Inspector General Draft Report
D-2008-D000FJ-0011.000, "Government Purchase Controls
at United States Special Operations Command" dated
January 21, 2009**

General Comments

present in every Appropriations Act since FY 2002. The crucial point here is that after the unrequested change to the provision by Congress in FY 2000, a change that actually created the type of restriction that DODIG believes exists currently, DOD took affirmative steps to quickly remove that restriction and thus restore the broad retention authority granted by the original provision, now GP 8067.

By ignoring section 8067, DODIG misinterprets GAO guidance on purpose violations arising from the retention and deposit of receipts, and thus improperly applies the purpose statute. GAO's position on inter-agency augmentation is that reimbursement by one agency to another (deposit of one agency's appropriations into another agency's account) is a purpose violation (31 U.S.C. sec. 1301) EXCEPT where such deposit or reimbursement is "statutorily authorized." (GAO Principles of Federal Appropriations Law Vol II 6-236). The simple explanation for this exception is that where congress has provided statutory authority for the crediting or deposit of the funds in question, such deposit/credit is a congressionally authorized "purpose" and does not implicate 31 U.S.C. section 1301. While GAO has opined that an illegal augmentation of appropriations can constitute a purpose statute violation where an Agency deposits another agency's appropriations into its own accounts, they also recognize that an Agency violates neither the miscellaneous receipts statute nor the purpose statute where such deposits are statutorily authorized. In the present case, the retentions in question are specifically authorized by GP 8067, and, as such, do not contravene either the purpose statute or the miscellaneous receipts statute.

3) As a final matter, in the context of the "authorized purpose" issue, we are concerned that DODIG's assertion at page 8 of the draft report that "[The funds retained by the Navy] were funds the U.S. Special Operations Command had intended for special operations purposes, but were instead obtained and retained by the DON", misrepresents SOCOM's interest in the subject rebates. SOCOM had not requested a return of the money

**Department of Defense Inspector General Draft Report
D-2008-D000FJ-0011.000, "Government Purchase Controls
at United States Special Operations Command" dated
January 21, 2009**

General Comments

nor considered the possibility until it was raised in the course of the DODIG audit. It appears, therefore, that until this audit began, there was an absence of any reliance by SOCOM on the Purchase Card rebates. Such lack of reliance would, of course, be entirely consistent with the existing Navy policy since at least FY 2003 of depositing such rebates into Navy O&M.

Various DON organizations oversee and manage the Purchase Card program for the Navy and the Marine Corps. These organizations issue and maintain DON Purchase Card policy, provide training, ensure bank compliance with the contract, and provide day to day operation support. The administrative support cost of these government and contract personnel is borne by the DON and afforded to these SOCOM entities as a part of the basic program management. The SOCOM entities derive specific benefits from being a part of the DON Purchase Card Program funded by Navy operations appropriations, to which the rebates are credited.

Commandant of the Marine Corps Comments



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20350-3000

IN REPLY REFER TO:
8FJ-0011
RFR-80
23 Feb 09

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER (FMO))

Subj: Department of Defense Inspector General Draft Report
D2008-D000FJ-0011.000, "GOVERNMENT PURCHASE CARD
CONTROLS AT UNITED STATES SPECIAL OPERATIONS COMMAND,"
dtd January 21, 2009

Ref: (a) DODIG memo of 21 Jan 09
(b) OASN (FM&C/FMO) email memo of 17 Feb 09

Encl: (1) Marine Corps official comments

1. Reference (a) transmitted the subject draft report for comments. Reference (b) requested Navy/Marine Corps coordination on official responses to the report.

2. The Marine Corps has reviewed the report. Marine Corps official comments are provided to ASN (FM&C (FMO)) at the enclosure for consideration in formulating the overall Department of the Navy response to DODIG's draft report D2008-D000FJ-0011.000.

3. Notwithstanding the Marine Corps official comments provided at enclosure (1), and pursuant to General Provision 8067 of Public Law 110-116, the Marine Corps defers to the Department of the Navy in responding to the report's issues of DoN retention of Government Purchase Card rebates.

4. Point of contact for this matter is Mr. Charles Keith Dove, Headquarters Marine Corps Senior Audit Liaison, [REDACTED]
[REDACTED]

A handwritten signature in black ink, appearing to read "C. K. Dove".

C. K. DOVE

By direction of the
Commandant of the Marine Corps

Department of Defense Inspector General Draft Report
D2008-D000FJ-0011.000, "GOVERNMENT PURCHASE CARD CONTROLS AT
UNITED STATES SPECIAL OPERATIONS COMMAND," dated January 21,
2009

1. The U.S. Marine Corps Forces, Special Operations Command (MARSOC), has reviewed the draft report and the following comments are provided:

Recommendation C1. DODIG recommends that the Department of the Navy return all FY 2007 and FY 2008 Government purchase card rebates resulting from U.S. Special Operations Command funding to the U.S. Special Operations Command.

MARSOC Response: MARSOC concurs.

Recommendation C2. DODIG recommends that the Department of the Navy establish a procedure to ensure that future Government purchase card rebates generated from the U.S. Special Operations Command and other non-Navy funds are returned to the appropriation against which the payments were initially charged. In this case, those rebates generated from U.S. Special Operations Command funds should be credited to the U.S. Special Operations Command.

MARSOC Response: MARSOC concurs, with comments. MARSOC recommends that the Navy contract with the card vendor be modified to allow rebates to be credited directly to the cardholder accounts. Currently the Navy receives and retains a rebate based on the volume of purchases and timeliness of payments to the vendor. Since MARSOC is required to pay the interest penalty if our payments are late, then approving officials who effectively manage their accounts should receive the benefit of the rebate as well. That would also allow MARSOC to use the credits in the appropriate fiscal year in which they were received and appropriation against which the payments were initially charged.

Recommendation C3. DODIG recommends that the Department of the Navy review the entity and appropriation sources of all rebates received and determine whether the Department of the Navy may appropriately retain the funds.

MARSOC Response: MARSOC concurs.

Recommendation D. DODIG recommends that the Commander, Marine Corps Forces, Special Operations Command direct cardholders and approving officials to follow the proper procedures when using the Government purchase card. Specifically, cease the splitting of purchases to avoid using the contracting office's services.

ENCL (1)

Department of Defense Inspector General Draft Report
D2008-D000FJ-0011.000, "GOVERNMENT PURCHASE CARD CONTROLS AT
UNITED STATES SPECIAL OPERATIONS COMMAND," dated January 21,
2009

MARSOC Response: MARSOC concurs, with comments. The Regional Contracting Office administers the GCPC program for the Camp Lejeune area installations. They must raise the credit limit on a cardholder to allow a purchase in excess of \$3,000. RCO guidance in the past has stated that in support of commercial off the shelf (COTS) training, as long as the training packages were distinctively severable, i.e. phase 1, phase 2, etc., then the invoices could be paid with the GCPC as long as each phase was under the \$25,000 limit. MARSOC did not intentionally try to circumvent the contracting process but assumed that the previous policy was still in effect since the GCPC management team authorized the payment of the 3 separate invoices. MARSOC has since appointed a training manager who must approve all COTS requests and requires the requests be routed via PR Builder and allows the MARSOC contracting officer to determine if the training is in fact COTS or if the training requires competitive sourcing.

2. Additionally, the Inspector General, Headquarters U.S. Marine Corps reviewed the report and provides the following Marine Corps technical comments for consideration:

a. On page 1 of the draft report, the first paragraph under the heading, "U.S. Special Operations Command," reads: "The U.S. Special Operations Command (U.S. SOCOM) was formed in 1987 to organize, train, and equip Special Operations forces from the Army, Navy, and Air Force. U.S. SOCOM has six subordinate command components: Army Special Operations Command; Naval Special Warfare Command; Air Force Special Operations Command; Marine Corps Forces, Special Operations Command (U.S. MARSOC); Joint Special Operations Command; and Joint Special Operations University."

The previous statement implies that the Marine Forces are Navy forces.

It should read: "The U.S. Special Operations Command (U.S. SOCOM) was formed in 1987 to organize, train, and equip Special Operations forces from the Army, Navy, and Air Force. In 2006 they added Marine Forces and currently U.S. SOCOM has six subordinate command components: Army Special Operations Command; Naval Special Warfare Command; Air Force Special Operations Command; Marine Corps Forces, Special Operations Command (U.S. MARSOC); Joint Special Operations Command; and Joint Special Operations University."

Department of Defense Inspector General Draft Report
D2008-D000FJ-0011.000, "GOVERNMENT PURCHASE CARD CONTROLS AT
UNITED STATES SPECIAL OPERATIONS COMMAND," dated January 21,
2009

b. At the top of page 12 of the draft report, the first paragraph reads: "The U.S. Marine Corps is an entity within the U.S. Navy and is to follow Navy Instructions. U.S. MARSOC used GPCs issued through a Marine Corps contracting office and used the cards under the Navy Instructions."

The previous statement also implies that Marine Forces are Navy forces.

It should read: "The U.S. Marine Corps is an entity within the Department of the Navy and is to follow Navy Instructions. U.S. MARSOC used GPCs issued through a Marine Corps contracting office and used the cards under the Navy Instructions."

3. Installations and Logistics Department, Headquarters, U.S. Marine Corps reviewed the draft report and concurred without comment with the report's recommendations and content.



Inspector General Department of Defense